



**COUNTY OF LOS ANGELES
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October 5, 2012

TO: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe *Wendy Watanabe*
Auditor-Controller

SUBJECT: **ENKI HEALTH AND RESEARCH SYSTEMS, INC. – A DEPARTMENT
OF MENTAL HEALTH CONTRACT SERVICE PROVIDER – CONTRACT
COMPLIANCE REVIEW – FISCAL YEARS 2009-10 AND 2010-11**

We completed a contract compliance review of ENKI Health and Research Systems, Inc. (ENKI or Agency), which covered a sample of transactions from Fiscal Years (FY) 2009-10 and 2010-11. The Department of Mental Health (DMH) contracts with ENKI to provide mental health services to Program participants, assessing their mental health needs, and implementing treatment plans. Our review was intended to determine whether ENKI provided services in accordance with their DMH contract. We also evaluated the adequacy of the Agency's accounting records, internal controls, and compliance with federal, State, and County guidelines.

DMH paid ENKI approximately \$23 million on a cost-reimbursement basis for FY 2010-11. The Agency's headquarters is in the Fifth Supervisorial District.

Results of Review

ENKI maintained documentation to support the services billed to DMH. However, ENKI charged DMH \$67,741 in questioned costs, and did not always comply with some County contract requirements. Specifically, ENKI:

- Charged DMH \$5,753 in unallowable penalties in FY 2010-11 for early cancellation of an internet service contract.

ENKI's attached response indicates that they have removed the \$5,753 from their DMH Program expenditures, and will not include the unallowable costs in their FY 2010-11 Cost Report.

- Charged DMH \$51,176 and \$10,812 in FYs 2009-10 and 2010-11, respectively, for vehicle lease expenses that were inadequately supported and excessive. ENKI charged DMH \$28,463 in FY 2009-10 for a lease on a Mercedes Benz sports car for their Medical Director. The remaining vehicle lease expenses were payments for four other luxury vehicles that were used by the Agency's executive management.

ENKI's response indicates that they have agreed to reduce their FY 2009-10 Cost Report by \$51,176, and recalculate and reduce the amount charged for FY 2010-11.

- Did not resolve reconciling items on their bank reconciliations in a timely manner. Specifically, 27 (24%) of the 113 outstanding checks had been outstanding for more than a year. \$373 of the outstanding checks had been charged to the DMH Program.

ENKI's response indicates that they will reduce their DMH Program expenditures by \$373.

- Did not complete some elements of the clients' Assessments, Client Care Plans, Progress Notes, and Informed Consents in accordance with the DMH contract requirements.

ENKI's response indicates that the Agency's Quality Assurance Review Department has been conducting internal audits and documentation reviews, and that the Agency has been providing continuous training to their staff on service documentation.

- Did not have adequate documentation of employment qualifications for two (10%) of the 20 employees reviewed.

ENKI's response indicates that their Human Resources Department will verify the required documentation is maintained in their staff's files.

Review of Report

We discussed the results of our review with ENKI and DMH. ENKI's attached response indicates that they agree with our findings and recommendations.

Board of Supervisors
October 5, 2012
Page 3

We thank ENKI management for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301.

WLW:JLS:DC:EB:sk

Attachment

c: William T Fujioka, Chief Executive Officer
Dr. Marvin J. Southard, Director, Department of Mental Health
Albert H. Urmer, Ph.D., Board President and CEO, ENKI
Public Information Office
Audit Committee

**ENKI HEALTH AND RESEARCH SYSTEMS, INC.
DEPARTMENT OF MENTAL HEALTH
FISCAL YEARS 2009-10 AND 2010-11**

BILLED SERVICES

Objective

Determine whether ENKI Health and Research Systems, Inc., (ENKI or Agency) provided services in accordance with their Department of Mental Health (DMH) contract.

Verification

We selected 54 billings, totaling 7,683 minutes, approved Medi-Cal billings for July and August 2010. We then reviewed the Assessments, Client Care Plans, Progress Notes, and Informed Consents in the clients' charts for the selected billings. The 7,683 minutes represent services to 25 program clients.

Results

ENKI billed DMH 347 service minutes using an incorrect billing code. Specifically, the Agency billed Targeted Case Management Services (TCMS) for providing case consultation services, which should be billed as Mental Health Services. DMH agreed with our finding, and indicated that case consultation services should not be billed as TCMS. DMH also indicated that they are in process of finding appropriate replacement codes for the Agency to report these services. This issue is related to how contract services are reported to DMH, and does not involve a billing or reimbursement issue.

In addition, the Agency did not complete some elements of some clients' Assessments, Client Care Plans, Progress Notes, and Informed Consents in accordance with the County contract requirements. Specifically:

Assessments

Two (4%) of the 25 Assessments reviewed did not adequately describe the clients' symptoms and behaviors consistent with the Diagnostic and Statistical Manual of Mental Disorder (DSM) to support the given diagnosis. The DMH contract requires agencies to follow the DSM when diagnosing clients. The DSM is a handbook published by the American Psychiatric Association for mental health professionals, which lists different categories of mental disorders and the criteria for diagnosing them.

Client Care Plans

Four (16%) of the 25 Client Care Plans reviewed did not address the clients' needs identified in their Assessments.

Progress Notes

Seven (13%) of the 54 Progress Notes reviewed did not describe what the clients or service staff attempted and/or accomplished towards the clients' goals. This finding was also noted during our prior monitoring review.

Informed Consents

ENKI did not maintain Informed Consents for five (56%) of the nine clients reviewed who were treated with psychotropic medication. Specifically, ENKI did not have current Informed Consent forms for four clients, and did not indicate the specific name of the psychotropic medication on one client's Informed Consent. Informed Consent is the client's agreement to a proposed course of treatment based on receiving clear, understandable information about the treatment's potential benefits and risks.

Recommendations**ENKI management:**

1. **Ensure that case consultation services are billed with an appropriate code.**
2. **Ensure that Assessments, Client Care Plans, and Progress Notes are completed in accordance with the DMH contract.**
3. **Ensure the Agency obtains and maintains Informed Consents in the clients' charts before treating clients with psychotropic medications, and that they identify the psychotropic medications on the Informed Consents.**

CASH/REVENUE**Objective**

Determine whether the Agency deposited cash receipts timely, and recorded revenue properly in the Agency's records.

Verification

We interviewed ENKI management, and reviewed the Agency's financial records. We also reviewed the Agency's February 2011 bank account activity.

Results

ENKI deposited cash timely and recorded revenue properly. However, the Agency did not resolve reconciling items on their bank reconciliations timely. Specifically, 27 (24%)

of the 113 outstanding checks had been outstanding for more than a year. \$373 of the outstanding checks had been charged to the DMH Program. ENKI needs to review these outstanding checks, and revise their DMH Cost Reports for the amounts related to the DMH Program.

Recommendations**ENKI management:**

4. Review the aged outstanding checks, and revise their Cost Reports for the amounts charged to the DMH Program.
5. Resolve reconciling items timely.

COST ALLOCATION PLAN**Objective**

Determine whether the Agency prepared its Cost Allocation Plan (Plan) in compliance with the DMH contract, and used the Plan to allocate shared expenses appropriately.

Verification

We reviewed the Agency's Plan, interviewed management, and reviewed eight shared expenses incurred between April 2010 and January 2011, totaling \$48,067, to ensure that the expenditures were appropriately allocated to the DMH Program.

Results

ENKI prepared their Plan in compliance with the County contract, and allocated their shared expenses appropriately.

Recommendation

None.

EXPENDITURES**Objective**

Determine whether expenditures charged to the DMH Program were allowable under the DMH contract, documented properly, and billed accurately.

Verification

We interviewed Agency personnel, reviewed accounting records and documentation to support 11 program expenditures billed to the DMH Program between July 2009 and February 2011, totaling \$221,387.

Results

ENKI charged the DMH Program \$67,741 for questioned costs in Fiscal Year (FY) 2010-11. Specifically, ENKI:

- Charged DMH \$5,753 in FY 2010-11 in unallowable penalties for early termination of an internet service contract.
- Charged DMH \$51,176 and \$10,812 in FYs 2009-10 and 2010-11, respectively, for unsupported and excessive vehicle lease costs. ENKI charged DMH \$28,463 in FY 2009-10 for a lease on a Mercedes Benz sports car for the Agency's Medical Director. The remaining lease expenses were for leasing four other luxury vehicles used by ENKI's executive management. Specifically, ENKI did not provide documentation (e.g., vehicle logs) to support the amount charged to DMH for Program-related travel. The DMH contract requires the Agency to use the Program funds on expenditures that are necessary, proper, and reasonable to carry out the purpose and activities of the Programs.

Recommendations**ENKI management:**

6. **Reduce the FY 2010-11 DMH Program expenditures by \$5,753, and repay DMH any excess amount received.**
7. **Provide documentation to support the \$61,988 (\$51,176 + \$10,812), and reduce the FY 2009-10 Cost Report and FY 2010-11 DMH Program expenditures by any unsupported amounts.**
8. **Ensure that only allowable expenditures are charged to the DMH Program.**

FIXED ASSETS/EQUIPMENT**Objective**

Determine whether fixed assets and equipment purchased with County funds were used for the appropriate Programs, and were safeguarded. Determine whether fixed asset depreciation charged to the DMH Program were allowable under the contract, documented properly, and billed accurately.

Verification

We interviewed Agency personnel, and reviewed the Agency's fixed assets. In addition, we reviewed \$7,299 in depreciation expense charged to the DMH Program between June 2010 and February 2011.

Results

ENKI used the equipment and fixed assets purchased with the County funds for the DMH Program, and the assets were safeguarded. In addition, the depreciation expense charged to the DMH Program was allowable, documented properly, and billed accurately.

Recommendation

None.

PAYROLL AND PERSONNEL**Objective**

Determine whether the Agency appropriately charged payroll expenditures to the DMH Program. In addition, determine whether the Agency had personnel files as required.

Verification

We traced the payroll expenditures for 20 employees, totaling \$54,120, for the two-week pay period ending February 13, 2011, to the payroll records and time reports. We also reviewed employees' personnel files.

Results

ENKI charged the payroll expenditures to the DMH Program appropriately. However, the Agency did not have proof of educational qualifications for two (10%) of the 20 employees reviewed.

Recommendation

9. ENKI management ensure that they maintain proof of educational qualifications for all staff working on the DMH contract.

COST REPORT

Objective

Determine whether ENKI's FY 2009-10 DMH Cost Report reconciled to the Agency's accounting records.

Verification

We traced the Agency's FY 2009-10 DMH Cost Report to the Agency's accounting records.

Results

ENKI's Cost Report reconciled to the Agency's accounting records.

Recommendation

None.

PRIOR YEAR FOLLOW-UP

Objective

Determine the status of the recommendations in our prior monitoring review.

Verification

We verified whether ENKI had implemented the outstanding recommendations from our March 24, 2006 monitoring report.

Results

Our prior monitoring report contained four recommendations. ENKI did not implement one recommendation, and three recommendations were no longer applicable. The outstanding recommendation is addressed in Recommendation 1 of this report.

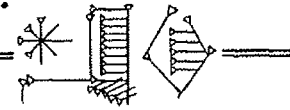
Recommendation

10. ENKI management implement the outstanding recommendation from the prior monitoring report.

ENKI Health & Research Systems, Inc.

(a nonprofit corporation)

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July 9, 2012

Wendy L. Watanabe
County of Los Angeles
Department of Auditor-Controller
Kenneth Hahn Hall of Administration
500 West Temple Street, Room 525
Los Angeles, CA 90012-3873

RE: Response to Contract Compliance Monitoring Review (FY 2009-10, FY 2010-11)

Dear Ms. Watanabe,

This letter is in response to the Contract Compliance Monitoring Review of Enki Health and Research Systems, Inc. draft report from December 2011.

ENKI appreciates the professional and comprehensive approach to the review by the County staff. The audit staff were very easy to work with and knowledgeable about the subject of the DMH Contract.

Attached please find the formal response and corrective action plan with respect to each of the recommendations in the Review.

Thank you for the opportunity to review the issues and work out an appropriate action plan.

Sincerely,

A handwritten signature in black ink, appearing to read 'Kathleen Postal'.

Kathleen Postal
Assistant Vice President, CFO

ENKI HEALTH & RESEARCH SYSTEMS
PLAN OF CORRECTION
Audit Findings December 2011

Billed Services

ENKI maintains every effort to comply with the current Federal, State and County regulations. All staff receives training and follow up training as necessary.

ENKI has an extensive quality assurance review department and performs internal audits regularly. We follow all QIC procedures from LA County

Corrective action:

1. Staff are continually trained and reviewed for the proper use of Procedure Codes. The consultation codes (99361/99362) in particular are not valid codes according to the January 2010 National CPT Codes Manual. Per the ENKI contract with LAC DMH, ENKI is required to uphold all State and Federal requirements which would mean the 99361 and 99362 should not be used as they are invalid. Notification of the code deletion was sent to LAC DMH by ENKI QA in February 2010, April 2010, and July 2010. No feedback was received from LAC DMH in this regard until this audit. As of November 2011, LAC DMH will be providing valid codes for case consultation in the next couple of months.
2. All Assessments and Client Care Plans are reviewed and co-signed by an on-site supervisor. In addition, a QA clinician has been hired as of October 2011 to review Assessments and Client Care Plans to ensure that the Clinical Loop is being closed. For all new hires, all progress notes are reviewed for the first 45 days of employment by their direct supervisor to ensure proper documentation and all on-going staff are reviewed annually by the QA department.
3. All staff psychiatrists have been provided a documentation manual as of June 2011 and all new psychiatrists attend a 3 ½ hour training prior to submitting any claims. As of December 2011, all clients who receive medication support are being reviewed for proper documentation by the QA department.

Cash/Revenue

The aged outstanding checks have been reviewed. Of the \$15,776, \$14,593 items are payroll checks issued to staff. These are legitimate DMH expenditures. Two items (\$450) were never charged as part of the DMH costs. There are only two items that are outstanding \$372.94 which will need to be voided.

Corrective action:

4. The two items \$372.94 will be voided and reduced from the DMH costs .
5. Outstanding checks will be reviewed monthly and items will be escheated to the State as appropriate.

ENKI HEALTH & RESEARCH SYSTEMS
PLAN OF CORRECTION
Audit Findings December 2011

Expenditures

ENKI annual costs for the time period reviewed was over \$23 million, yet only \$67K in costs were in question. The findings relate to the vehicle charges for the executive staff and an early termination penalty. After meeting with DMH and the auditors the following corrective action has been taken.

Corrective action:

6. The amount of the penalty has been removed from the DMH costs, there is no over payment as the Cost Report has not been filed.
7. For the fiscal year 2009-10 the DMH program expenditures will be reduced by the amount of the findings (\$51,176). For fiscal year 2010-11 the DMH program expenditures will be reduced by the annualized costs of the vehicles.
8. Going forward the vehicle costs will only be charged to the program up to the amount of the DMH recommendation of \$525/month and limited to mileage that is traced by the odometer readings on the vehicles.

Specific mileage logs will be utilized to determine the personal usage of the vehicles.

Payroll & Personnel

ENKI maintains job descriptions for all positions. All jobs that require specific qualifications will have the required documentation in the employee file.

Corrective action:

9. ENKI's HR department will review all job descriptions and verify the required documentation is in every staff file.

Prior Year Follow-UP

The finding regarding the lack of prior year implementation is in dispute. This relates to item number one on the corrective action. Item number one was a finding due to the County and Federal having different CPT codes being used. ENKI was trying to be in compliance with the Federal CPT Manual and HIPPA, which was a conflict with the County procedure code manual. We follow all of the requirements in terms of charting and billing that is in our contract. We train the staff to follow all of the necessary procedures.

This issue is resolved with item number one of the findings.

Corrective action:

10. See corrective actions #1 & 2